



FLORIDA • CONNECTICUT • COLORADO
GOVERNORS

January 16, 2003

The Honorable George W. Bush
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC 20500

The Honorable Tommy Thompson
Secretary—U.S. Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear President Bush and Secretary Thompson:

As you continue working to modernize the nation's health care system, we would like to share with you some thoughts and recommendations on reforming the Medicaid program. Each of our states represents the face of today's Medicaid beneficiary, living in three major regions of the country—the south, northeast and west.

The Medicaid program has now surpassed Medicare as the single largest health insurance program in the nation. As the nation's major health insurer of low-income families, the elderly and the disabled, Medicaid spending nationally exceeded \$250 billion in FY 2002. The program consumes more than 20 percent of state budgets and represents a growing and significant portion of the federal budget. Medicaid enrollment is growing at annual rates of more than six percent, and spending is increasing nationally at a rate in excess of 13 percent.

In Florida, Connecticut, and Colorado,—our Medicaid programs provide care to approximately 2.8 million beneficiaries—as many as one of 8 of our residents. This represents an annual projected cost of \$15.2 billion, averaging 19 to 22 percent of our entire state budgets. These statistics in our states alone call for a careful and thoughtful review of the Medicaid mission.

The nation's governors and state legislatures are struggling to balance their budgets, and many have been asking for immediate state fiscal relief. Rather than seeking one-time relief from the federal government through FMAP (Federal Medical Assistance Percentage) increases or other measures, we would suggest it is time to review and fundamentally rewrite the nation's Medicaid law. In order to modernize this 35 year old program, we need to reassess its purpose, re-establish a set of principles for providing coverage for lower income Americans, and test new models that lead to a sustainable and affordable program in the decades ahead.

We have welcomed the new spirit of cooperation between the Administration, HHS and the states in addressing Medicaid issues. We applaud your efforts to grant the states new flexibility and opportunities for innovation through measures like the Health Insurance Flexibility and

GOVERNOR JEB BUSH

State of Florida
The Capitol
Tallahassee, Florida 32399-001

GOVERNOR JOHN G. ROWLAND

State of Connecticut
State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106

GOVERNOR BILL OWENS

State of Colorado
136 State Capitol
Denver, Colorado 80203-1792

Accountability (HIFA) waiver process. Yet, Medicaid falls short in meeting the needs of our beneficiaries, and continues to maintain a chokehold on state budgets.

Medicaid is today largely what it was in the '70s and '80s. It uses a dated health insurance model that has not fully accommodated changes in the health care marketplace, or the new face of Medicaid eligibles and coverage options. Many beneficiaries work and have incomes above poverty; most no longer receive publicly financed economic assistance; health care needs have changed from acute to chronic; and Medicaid increasingly serves as a supplement to Medicare. The Medicaid program has not been fundamentally reformed in the ways other public programs have been—still containing many of the original eligibility and benefit mandates. It continues to limit cost sharing and does not reflect the changing demographic characteristics of its beneficiaries.

All states struggle with similar problems, but work to resolve them individually. The result is 50 solutions to common problems as each state annually “reinvents” its program. Over the years, states have served as laboratories to test new ways for the good of all, but are constrained under the umbrella of the outdated Medicaid model. No matter how successful we are—these results will only take us half way.

We will never fully succeed until the federal government engages in comprehensive Medicaid reform. As our states' chief executive officers, we have thought long and hard about this issue and stand ready to start a period of Medicaid reform consistent with the goals of your Administration. We are encouraged that we have the ability to restructure the program providing access for the uninsured, improving treatment outcomes, promoting private sector coverage, and lowering future-year costs. Our goals should include a program design that has its principles grounded in patient access, preserves the dignity of the patient and family, and is predictable in terms of cost.

As a first step to reform, we would like to offer the following recommendations:

- Tailor a program to meet the needs of different populations, recognizing that “one size will no longer fit all.” Like Medicare Part A and Part B, such a program would offer choices. It might include a core package of benefits, a long-term care package, and a supplemental package for lower income individuals with specific chronic health conditions.
- Using SCHIP (State Children's Health Insurance Program) as an example of how comprehensive, affordable packages can be crafted, consider state proposals to design benefit packages to look more like commercial models.
- Allow Medicaid beneficiaries to be active participants in the program, making informed choices, directing their own care, sharing in the cost of their care, and helping to control program costs.
- Provide greater flexibility to states in determining Medicaid program designs. Eliminating restrictions will allow states to address the needs of their own unique population. This would help divert people from using emergency rooms inappropriately for routine health care.
- Recognize state and federal funding limits and move away from entitlement without responsibility.

- Reverse recent trends and encourage choice through private health insurance, perhaps allowing people to select options for coverage through private health plans.
- Enable better integration and collaboration between Medicare and Medicaid programs for common populations and break down the distinct walls between acute and long-term care.
- Modernizing Medicare, including a prescription drug benefit, would provide an essential step in advancing Medicaid reform.
- Focus on healthy lifestyles including prevention of obesity, diabetes, and other diseases and promote personal responsibility.
- Integrate mental health reform as an important component of any Medicaid restructuring.

Program innovations and increased flexibility will save federal as well as state dollars allowing for quality investments that promote good health, including prescription drug coverage. We have had success with innovative, cost-saving programs through Medicaid waivers and demonstration projects. Examples of our state Medicaid initiatives are highlighted below.

Florida's Medicaid Initiatives

Florida's successful initiatives include the Consumer Directed Care project for the developmentally disabled and elderly; pharmacy help for seniors through the "Silver Saver" prescription drug program; new forms of health care delivery through provider service networks (PSNs), exclusive provider organizations (EPOs), and two minority physician networks.

Preventing disease and encouraging healthy lifestyles is a significant goal of Florida's Medicaid program. Intensive disease management efforts in our state include a groundbreaking public-private partnership with Pfizer, Inc., and 10 participating hospitals to help more than 50,000 patients diagnosed with asthma, hypertension, heart failure or diabetes to manage their chronic diseases. In partnership with Bristol-Myers Squibb, we have designed a community-based initiative to train lay health leaders in Hispanic and African American communities and to provide care at 50 federally qualified health centers. Astra Zeneca and Glaxo Smith Kline have partnered with us to implement a pharmacy consulting network to assist physicians and a medications medical errors study.

Connecticut's Medicaid Initiatives

Connecticut also has a proud history of meeting the health needs of our citizens and, at the same time, seeking cost-effective ways of doing so. In conjunction with SCHIP, Connecticut has expanded Medicaid coverage for children to 185 percent of the federal poverty limit, and for adults with children to 150 percent. Between the two programs, Connecticut today offers subsidized health coverage for children to 300 percent of poverty and allows any uninsured child to buy in to the program at discounted group rates.

For Connecticut seniors, we have expanded our State-run pharmacy program, for which we are seeking a federal waiver, and built a cost-effective Medicaid waiver and state program that allows middle-income elderly to buy into our home care and assisted living programs, saving tens of millions of dollars per year in nursing home costs for the state and federal government.

The Honorable George W. Bush and
The Honorable Tommy Thompson
Page Four
January 16, 2003

At the same time, Connecticut is developing innovative ways to rein in Medicaid health costs including, seeking a federal waiver to restrict transfers of assets, entering into a home care financing demonstration partnership with the Medicare program, and implementing mandatory generic substitution, prior authorization and other cost savings measures for our drug programs.

Colorado's Medicaid Initiatives

Colorado's Medicaid program is examining innovative ideas to lower Medicaid costs, while improving health outcomes for our program's beneficiaries. For example, the state has initiated a series of care coordination and disease management pilots to identify the most appropriate strategies to contain rising health care costs, improve access to services and improve the quality of care for Medicaid clients. The targeted disease areas include high-risk infants, clients with asthma, diabetes, schizophrenia, and women with breast and cervical cancer. The pilots are being conducted in 14 counties throughout the state. Colorado's Care Management Organization pilot also is underway in 14 counties to coordinate all of the disease management programs and to establish a system to identify clients in need of case management, or disease management counseling. In general clients have been chosen with levels of high utilization and high Medicaid claims costs.

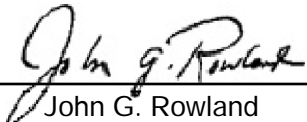
A Consumer Directed Attendant Support program has also been implemented in Colorado. This program will enable people with disabilities to manage their own attendant care. These services typically include assistance with daily tasks such as bathing, dressing, personal hygiene and preparing meals. Clients can hire, train, supervise and fire their own attendants. They have the flexibility to establish the attendant's schedule, and to a significant degree, they can determine what services the attendants provide. With the assistance of Medicaid and this program, people with disabilities will be able to take greater control of their own lives.


These examples are a small snapshot of a larger vision. Despite these strides, without real Medicaid reform, we can only work in the margins of possibilities. The population growth patterns and characteristics of our states make Florida, Connecticut and Colorado an ideal place to begin this new round of reform. We would encourage you to call on governors to work over the next few months with your Administration in developing strategies for Medicaid reform. It is essential that we have the ability to address the priorities of patient access and predictability in terms of costs by the beginning of our new fiscal year on July 1st.

Welcoming this challenge, we stand ready to work with your Administration, the nation's governors, and Congress to develop a proposal to reform Medicaid. We must proceed as if lives depend on our very action. They surely do.

Sincerely,

Jeb Bush
State of Florida


John G. Rowland
State of Connecticut


Bill Owens
State of Colorado